

## **Somerville Affordable Housing Trust Fund (SAHTF)**

### **Closing Cost/Down Payment Assistance Program**

#### *WHAT DOES THIS PROGRAM OFFER?*

SAHTF can provide “Closing Cost/Down Payment Assistance” of up to \$3500 to households who are income eligible first time buyers purchasing condominiums or single-family homes **in Somerville**. The assistance will be offered in the form of a 0% interest 5-year forgivable loan, forgivable at a rate of 20% each year the borrower remains in the unit. The property purchased must meet the State Sanitary Code/HUD Housing Quality Standards as determined by the Office of Strategic Planning and Community Development (SPCD) and must be properly established as a condominium if applicable.

- All funds provided will be secured by a mortgage.
- The participant’s primary mortgage pre-approval must have conventional terms. The mortgage pre-approval must be from a bank or recognized lending institution using conventional underwriting criteria. Pre-approvals from other sources may not be accepted.

#### *WHO IS ELIGIBLE?*

**Income Eligibility** is based on documenting current family income in accordance with HUD/SAHTF guidelines listed on Pg. 4 and does not provide a guarantee that participants will qualify for a mortgage.

Participants receiving assistance through the program must **occupy the properties** purchased as their principle residence.

Participants must not have had an ownership interest in any residential property at any time during the three years proceeding the date of application.

Participants must have completed or be scheduled to complete an approved Home Buyer Training Class.

Participants must be able to provide at a minimum, private funds of 3% of the Acquisition Cost of the property.

### *HOW DO I APPLY?*

SAHTF will announce funding rounds throughout each year by direct notification to Home Buyer Training Graduates and general advertising. Applications will be mailed or emailed. *Follow the steps below.*

1. Complete an application. Upon being determined income eligible you will receive a certificate (active for 6 months) and a list of participating banks.
2. Buyers meet with one or more of the Banks to get pre-approved and *submit pre-approval letter(s) to SAHTF staff.*
3. Buyers locate their own property, negotiate the best price possible, have a private Home Inspection performed and sign an Offer to Purchase. *Submit copy of Inspection and Offer to Purchase to SAHTF staff.*
4. *SPCD must inspect the property* and develop a list of required repairs (if needed), prior to the P&S agreement being signed. **PLEASE NOTE:** Buyer must make arrangements with seller to allow Contractors a chance to view the required repairs and provide written estimates. *Buyer must submit estimates to SAHTF staff.*
5. Buyer re-negotiates price (if applicable) and enters into a Purchase and Sales Agreement. *Buyer submits copy of P&S agreement to SAHTF staff.*

6. Buyer applies for a conventional-term mortgage with their chosen lender.

7. When mortgage is approved, the Bank will issue a Commitment Letter. *Buyer must submit a copy of Commitment Letter to SAHTF staff.*

*SAHTF staff will begin to process SAHTF loan documents ONLY when the above steps are completed. SAHTF staff will work with buyer and bank to determine a mutually convenient **closing date**.*

## Income Eligibility

Applicants must have incomes between 80 and 110% of Area Median Income. The Minimum and Maximum Household Incomes by Household Size are as follows.

<u>FAMILY SIZE</u>	<u>MIN INCOME</u>	<u>MAX INCOME</u>
1	\$46,301	\$64,790
2	\$52,951	\$74,030
3	\$59,551	\$83,270
4	\$66,151	\$92,510
5	\$71,451	\$99,880
6	\$76,751	\$107,360
7	\$82,051	\$114,730
8	\$87,350	\$122,100

**PLEASE NOTE! PARTICIPANTS WHO ARE DETERMINED ELIGIBLE FOR THE ASSISTANCE STILL NEED TO BE DETERMINED ELIGIBLE FOR A MORTGAGE BASED ON LENDING INSTITUTION REQUIREMENTS. THE AMOUNT OF MORTGAGE YOU MAY QUALIFY FOR IS BASED ON YOUR INCOME, YOUR DEBTS, YOUR CREDIT, AND OTHER FACTORS AS DETERMINED BY THE LENDING INSTITUTIONS.**

ELIGIBILITY FOR THIS PROGRAM IS VALID FOR SIX MONTHS FROM THE DATE A CERTIFICATE IS ISSUED BY SAHTF.

## **Intake, Analysis & Determination**

The SAHTF staff shall perform intake and assign support staff collection of data responsibilities as needed.

Intake shall include, but not be limited to:

1. A fully completed application.
2. Four consecutive pay stubs for each person earning income.
3. The most recent 1040 Federal Tax forms, W2s and associated documents.

The SAHTF staff shall review all documents and determine income eligibility. The case will be forwarded to the Managing Trustee for approval.

## **Certificate Issued & Pre-qualification**

Once the applicant has been certified as eligible and Income Verification forms have been signed, SAHTF staff shall issue a \*certificate to the applicant to include an expiration date within (6) months.

It shall be at the discretion of the SAHTF staff with approval by the Managing Trustee to revise, extend or otherwise change the expiration date.

The SAHTF staff shall mail out certificate along with \* Steps to Follow letter and \* List of Participating Banks.

The applicant shall contact one or more of the participating banks and provide them with sufficient documentation to determine the approximate amount of mortgage applicant can afford. The letter of Pre-Approval must be submitted to SAHTF staff. **The pre-approval must be for a mortgage with conventional terms and issued by an established lender.**

## **Offer To Purchase And Home Inspection**

The applicant shall submit the Offer to Purchase property to the SAHTF staff. The SAHTF staff shall review the Offer for completeness.

The SAHTF staff shall notify the applicant of the requirement to hire a Private Home Inspection Company. This inspection report is to be placed in the file

The SAHTF staff will assign an Inspector and review the Private Home Inspection with him/her as well as the contact name and number.

## **Purchase & Sale Agreement And Bank Commitment**

The client shall submit a copy of the Purchase and Sales Agreement (P&S) prior to signing to SAHTF staff.

SAHTF staff shall review the P&S for completeness and advise the client on any revisions.

If the P&S is acceptable, the SAHTF staff shall advise the client to apply to a participating Bank or lender of their choice for a mortgage loan.

The client must submit an original Bank Commitment letter to the SAHTF staff prior to SPCD processing the Assistance check.

## **Processing Payment**

The SAHTF staff shall prepare a package for support staff in order to produce loan documents including the following documents.

- \* P&S Agreement
- \* Bank Commitment Letter
- \* Deed
- \* Promissory Note and Mortgage information to MERGE

The SAHTF staff shall review documents for completeness and determine any needed corrections. SAHTF staff shall prepare the "Request for Payment" to the Auditing Department and shall track progress of payment.

## **Closing**

Once the check has been processed, the SAHTF staff shall coordinate a mutually agreeable "Closing Date" with buyer, seller, broker, bank and any other person deemed necessary to complete the transaction. A package requesting information/documents be forwarded to the SAHTF staff shall be given to the Banks Attorney upon closing.

**SPCD, Housing Division  
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